On Demand Economy Business Model 101
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INTRODUCTION

The world is at the herald of a new era, one where we’re witnessing the dawn of a revolution, much less a phenomenon, oft-known as the On Demand Economy. Uber is one of the torchbearers when it comes to showing the potential of the On Demand Economy.

What made Uber’s concept revolutionary was its comprehensive treatment starting from aggregating the supply - hailing the cabs - payment and reviews rather than dealing with just one aspect of the taxi hailing experience.

If you are looking to create something that can be described as an “Uber for X”, more often than not you will be attempting an online-offline integration in a certain vertical. There are so many moving parts associated with the problem at hand that more often than not key decisions have a tendency to be overlooked.

When I first came across this article, I was surprised to learn about the pace at which mobile internet is penetrating our lifestyle, and how this development is growing on every modern citizen i.e. netizens. ‘Instant gratification’ is no longer a fad, but a lifestyle choice that every consumer with a smartphone (pretty much everybody) has made, and you know what, capitalism is doing all it can to reward this trend!

Given that many entrepreneurs are coming up with unique ideas disrupting value chains across many established industry verticals, we wanted to draw on our experience at Juggernaut accumulated powering On Demand Businesses from the technology perspective to create this rundown on how to conceptualise different aspects of your business idea.

Here’s a report on how much money has on demand startups, or ‘Uber for X’ businesses, as they say, have raked in the last year. The numbers are not the only thing that is surprising! This trend is still accelerating.

Welcome to On Demand Economy!
What is On Demand Economy?

The On-Demand Economy is defined as the economic activity created by technology companies that fulfill consumer demand via the immediate provisioning of goods and services’ is how Mike Jaconi, Co-founder, Button puts it.

This stage for the on-demand economy is a consequence of four factors which have facilitated the exponential growth of the visible changes in the aspirations of an average smart consumer’s wishful commerce - technological advancements, investor interest & access to capital, changes in consumer behavior & demand, and new methods of supplying services. Collectively, these forces are leading a transformation in commerce that instantly connects consumers with products and services.
Have you finalised the contours of the business model of your On Demand Idea?

Let’s assume that the problem you are trying to solve falls in the broad ambit of creating an online-offline integration. Invariably you will go on to create a solution that leverages ubiquitous smartphones to aggregate demand and make the supply more efficient.

“Fundamental core of almost every such solution includes closing the demand aggregation loop by leveraging fluid capacity.”

But, there can be multiple business models revolving around the overarching concept.

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<tr>
<th>ON DEMAND BEAUTY</th>
<th>ON DEMAND MEAL DELIVERY</th>
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<tr>
<td>A. You can conceive a platform whereby you are enabling the customers to book vetted freelancers who are contracted by the platform, like GlamSquad and Stylebee or,</td>
<td>A. You can conceive of a platform where you have a backend kitchen that cooks a choice of meals everyday and your logistics team does the delivery, like SpoonRocket or,</td>
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<td>B. You are enabling the customers to select from an aggregated list of freelancers in a marketplace of sorts, like Priv and TheStylisted or,</td>
<td>B. You are sourcing meals from 3-4 restaurants in the area and delivering them or,</td>
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<tr>
<td>C. You are aggregating salons in the area in a marketplace and enabling the customers to select a salon and book appointments before hand like StyleSeat</td>
<td>C. You create a marketplace for the end users to show the menus of restaurants in the area and your logistics team handles the delivery from any restaurant.</td>
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These stark and many other subtle differences in how you enable your end customers and service providers can very well be the difference between a platform that attains liquidity and the one that doesn’t. The choice of the business model can depend on the vertical you are operating in, cultural nuances of the geography you are starting from and whether you are bootstrapping or backed by VC war chests.

Let’s deep dive further into how to make these choices.
Scheduled vs Instant Delivery Model

One common misconception goes on to equate On Demand model with instant. Instant (15-45 minutes reckoning time) and scheduled can be equally viable business options, one more suited for a particular situation than the other.

If you analyze these services/products - Taxis - Fast food/ Meal Delivery - Groceries - Massage/Beauty - Laundry - Courier Delivery - as we move from left to right the scheduled delivery model starts becoming more and more viable. In addition to the nature of demand that you are aggregating the logistics of the supplier side infrastructure should also be taken into account while zeroing in on the exact model. Unless you are already in the space, in which case you are just adding the technology layer above the business model to aggregate demand, the economics of instant delivery/servicing the demand are a lot different as compared to its scheduling counterpart.

Instant gratification model puts a lot of pressure on your servicing infrastructure because of the unpredictable demand. The tactics like surge pricing and complicated prediction models can only go thus far but they can never compete with exactly knowing your demand, a luxury available in case of scheduling. That being said, many On Demand instant startups are already functional. VC War chests are betting on the potential and supporting them in the initial stages till the point they achieve economies of scale.

In a nutshell, the choice should be guided by how the end customers want to consume the services and whether the business model is creating enough value for the service providers to offset headaches of instant delivery.
Marketplace/aggregated suppliers vs integrated supply/contracted individuals

Second thing you will need to decide while brainstorming is whether you want the aggregated demand to be serviced by loosely bound suppliers or contractual service providers. For interactions to happen in the on demand marketplaces, both buyers and sellers should be able to see continuous additional value. While in the latter case the marketplace becomes one sided and the onus of funding the supply side during the growth phase lies on you.

Irrespective of what your vision is for the long term business model it will also be useful if we see the evolution of this particular aspect during the phase when the startup is trying to establish liquidity in the marketplace. You can treat the platform as a one sided problem during the initial phase, irrespective of the model you employ. This can be done by artificially pumping the supply. In any case faking the supply is easier as your platform can mean a new non committal way to make additional money. But organic demand often requires quality supply and trust to develop which takes time and a lot of effort as you come up with iterations changing those small things that were not obvious earlier. In addition, even if your long term vision is to aggregate supply as well, some contracted service providers can help you keep tabs on the quality of service and ensure that you never have to turn down the demand.
Choice vs Anonymity

Irrespective of whether you go ahead with aggregated or integrated supply, one design choice, that is a part of business model, is giving the end users the ability to select the service provider vs the user being reliant on the platform for the best possible match. This choice at some levels can depend on the vertical that you are operating in but there are many ingenious ways of going in either direction irrespective of the vertical.

As a rule of thumb, higher the differential in service or product quality from one choice to another, say a marketplace for on-demand beauty solutions/beauticians, a user choice for service provider is more likelier to work vs an Uber type approach.

Another similar example could be a marketplace for freelance professionals, such as on ODesk or Elance or Freelancer.com, wherein the user makes the choice of end service provider, subject to platforms’ ability to predict user needs with help of parameters like ratings, hours worked, recommendations etc.

On the contrary, with services like uber which promise a singular service, say taxi in this case, shall fulfill customer needs best by matching them to drivers driven by algorithms.

From operational perspective, optimized matching increases the efficiency of supplier side infrastructure. But you might need to invest more in training and vetting the supply.
Standardized vs Non-standardized product or service offering

‘Choose the car type; hail the car’ - Uber pretty much nailed it when it comes to standardizing the service offering. Streamlined user experience which doesn’t demand a lot of your cognitive bandwidth is one of the important factors behind acceptance of these vertically differentiated On demand marketplaces. This doesn’t imply On Demand marketplace in every vertical translates to a straightforward standardisation. The challenges arise when you go out of the ambit of fixed price (based on certain parameters), fixed time services.

A good way to look at it is whether you are offering a commoditized or non-commoditized service/product. For commoditized services there are only few variables that can vary and the user experience should reflect that. While others such as specific home services, renting out apartments involve deliberating over number of variables. This is one of the reasons AirBnB focuses on search and discovery while Uber focusses on seamless transactions and automatic matching.

Number of variables at times also require an open channel between the supplier and the buyer during the selection phase.

One recent pivot relevant to this discussion is Task Rabbit changing its business model from an eBay type auction house to an Uber type model focussed on standardised offerings in multiple verticals. The discussion about how the London experiment led to changing the face of how TaskRabbit works across geographies, exemplifies the importance of right model needed to sustain even the marketplaces that have already attained liquidity.
Revenue Model

Moving away from a comparative analysis of figuring out the business model, let's touch on the general monetization model to conclude the discussion as you or the investors need to make money someway or the other to keep the platform alive.

“Five years ago, Andrew Parker of Spark Capital published a now well-known post highlighting the different startups attacking different parts or services of Craigslist entitled the Spawn of Craigslist. Then in December 2012, former Spark analyst David Haber updated the chart further expanding the list of companies to more than 80.”

CB Insights recently published this analysis, concluding that they have raised $8.87bn in funding till date. The list included only 2 mobile first On Demand Marketplaces - Uber and Lyft at that time. In another recent analysis (Oct.'14) of Vertical On Demand, mobile first based Marketplaces, the number was $1.46 billion in last 4 quarters excluding Uber’s $1.2 billion funding.

The basis of investors cozying up to the idea lies in the monetization potential of the concept. The business model of Uber, and in turn, Uber for X startups will have you as a platform owner owning every transaction. This puts you in a vantage position to charge what would have earlier gone to the middleman while providing the said services more conveniently, with a small or no markup in costs to the end customers.

How every transaction is being monetized may vary from one implementation/vertical to another. Instacart adds a small markup to every grocery item you buy, while Eaze charges dispensaries for every lead that it brings their way.
Having figured out an appropriate business model, one needs to take the product/service, to a product market fit, wherein consumer feedback is taken into account, along with emerging market forces and the product/service is tweaked to create a better customer experience. This invariably requires an MVP.

Stakes have never been larger. This is a good time that you stop sitting on your ideas and bring them to life.

If you get struck on the next step - TECHNOLOGY - drop us a line for some insights on that front.
Juggernaut helps you deal with these choices.

These days, every on-demand business must see technology as a crucial part of their business process, since customers demanding instant gratification are being aggregating online either through smartphones or web.

The variations in the business model based on the verticals, geography and monetary consideration imply that a straight jacket or clone based approach is unsustainable for high growth startups. But this doesn’t imply that every entrepreneur entering this space needs to reinvent the wheel as far as technology is concerned.

Your key focus should be on the business side of things - planning for liquidity and ensuring premium experience for all the stakeholders.

How is Juggernaut different?

When we started Juggernaut 12 months ago we wanted to create a unique value proposition for entrepreneurs seeking help on the technology aspect while looking to create an On Demand solution.

As that quest matures, we have grown to undertake a more strategic role whereby we are working as extension of teams for both enterprise clients and high growth startups.

Today we power On Demand Platforms.

We’ve the combined expertise of executing technology products for businesses ranging from on demand food delivery, beauty solutions, taxi and laundry, car wash and cannabis delivery, etc.
Why Partner with us?

A strategic approach built to understand your vision and delineate the business model in a collaborative manner. Your knowledge and grasp of the opportunity and the niche and our understanding of on demand technology is then transformed into a product that fuels your quest to create a disruptive force.

we help you build

On Demand and Marketplace Platforms that are in sync with your Business Model

leveraging

Existing Technology Blocks

while ensuring you

- Burn 3 times less CASH
- Take 2 times less TIME than expected
- SUCCEED in 1st attempt at the technology product
Our Secret Sauce

We’ve built a robust IP using modules/components that are basic to all on-demand businesses, & they’re customized to suit your business model.

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<td>iOS/Android</td>
<td>Frontend Web Dashboard</td>
<td>Non SQL Database</td>
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Clients

If you don’t believe us, take a look at our list of clients, who’ve worked with us and have gone on to achieve

MiniLuxe

MiniLuxe is a beauty salon chain for self care services, which has been successfully running in Boston area for the last seven years. They wanted to enter the smart world through their Manicure and Pedicure services. They teamed up with Juggernaut to create a web admin portal and mobile application for technicians and customers. This packable for on demand beauty service allowed the customers to book appointments and technicians to accept as well as provide the service. MiniLuxe has received $23 million in a new round of funding for showcasing promising future.

Bite Kite

Bite Kite app is ‘Uber for Meal Delivery’ in Massachusetts. This Startup was commenced with the objective to deliver fresh and healthy food within 20 minutes. They connected with Juggernaut to create an on demand solution that would enable busy Users to order food from the pre-decided menu, track the location of the delivery man and make easy payments via Stripe. On the other hand, the solution also equipped the delivery personnel as well as Admin to provide the best experience to their customers.

Smokeio

Project X Inc. wanted to transform the way people were searching, locating and acquiring Medical Marijuana and other related products. Juggernaut helped them create Smokeio™, a proprietary Mobile App and Technology Platform that allows Users to conveniently find, spot and contact Marijuana delivery and storefront businesses, with real-time delivery, driver identification features and and in-store order scheduling. On the Dispensaries’ side, the solution provides multiple features to interact and validate the medical status and other details of a Marijuana User, prior to the transaction.
Jugnoo

Jugnoo is an on-demand Auto Rickshaw booking solution for both Passengers and Drivers, successfully operating in Punjab (India). Passengers can enjoy a fast, affordable and reliable auto rides in couple of clicks. And Drivers can increase their income and customer base conveniently. The app offers features like easy auto booking, profile of driver and passenger, legit auto fare, feedback and rating options, etc.
THANK YOU
WE’D LOVE TO GET TO KNOW EACH OTHER

Let’s explore how we can together create the next big ‘disruption’

Drop us a line at

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